

FINANCIAL REPORT
WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
June 30, 2008

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
FINANCIAL REPORT
Year-ended June 30, 2008

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September 25, 2008

Independent Auditors' Report

Superintendent and Board of Education
Whitefish Township Community Schools
Paradise, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitefish Township Community Schools, as of and for the year-ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

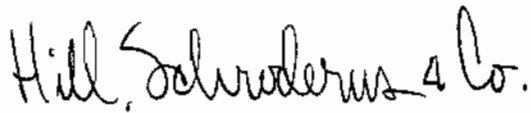
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Whitefish Township Community Schools, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2008, on our consideration of Whitefish Township Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Whitefish Township Community Schools
Paradise, Michigan

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitefish Township Community Schools' basic financial statements. The accompanying other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Hill, Schroderus & Co.".

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan



Whitefish Township Community Schools

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Patrick Rowley, Superintendent/Principal

Management's Discussion and Analysis

Overview of the Basic Financial Statements

Whitefish Township Community Schools' basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report information on all of the School's nonfiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the School's assets and liabilities, with the difference reported as net assets. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the School (instruction, support services, etc.), which are supported by the School's general revenues (property taxes, unrestricted State Aid, etc.).

Fund Financial Statements

The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the fund financial statements is on the sources and uses of funds during the current year.

The fiduciary fund is also presented, separate from the governmental funds, due to the fact that these assets do not represent assets of the School. These assets are not presented as part of the Government-wide financial statements.

Whitefish Township Community Schools maintained five individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and School Lunch Fund, which are considered major funds. Data from the Athletics Fund is presented in a single, nonmajor governmental funds column.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the School's net assets as of June 30, 2008:

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS		
Statement of Net Assets		
June 30, 2008		
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 269,735	\$ 325,540
Capital assets - net of accumulated depreciation	<u>206,119</u>	<u>180,406</u>
Total assets	<u>475,854</u>	<u>505,946</u>
Liabilities		
Current liabilities	<u>85,693</u>	<u>83,447</u>
Net Assets		
Investment in capital assets	206,119	180,406
Unrestricted	<u>184,042</u>	<u>242,093</u>
Total net assets	<u>\$ 390,161</u>	<u>\$ 422,499</u>

At the end of the fiscal year, Whitefish Township Community Schools is able to report positive balances in all categories of net assets. Over 50% of the School's net assets is its investment in capital assets (land, construction in progress, buildings, equipment and vehicles). There is no outstanding debt related to acquiring these capital assets. The School uses these capital assets in providing educational services, consequently these assets are not available for future spending.

The remaining portion of net assets, unrestricted net assets, may be used at the School's discretion to meet ongoing obligations.

The results for the School as a whole are reported in the Statement of Activities, which is summarized below:

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Statement of Activities
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 5,656	\$ 5,412
Grants and contributions	104,065	95,143
General revenue:		
Property taxes	752,615	704,239
State Aid, unrestricted	216,786	231,767
Interest and investment earnings	4,422	6,063
Other	<u>15,907</u>	<u>17,073</u>
Total revenues	<u>1,099,451</u>	<u>1,059,697</u>
Function/Program Expenses		
Instruction	560,325	534,275
Support services	455,746	395,143
Food services	72,672	67,936
Athletics	19,164	15,587
Depreciation (unallocated)	<u>23,882</u>	<u>25,410</u>
Total expenses	<u>1,131,789</u>	<u>1,038,351</u>
Change in net assets	(32,338)	21,346
Net assets - beginning of year	<u>422,499</u>	<u>401,153</u>
Net assets - end of year	<u><u>\$ 390,161</u></u>	<u><u>\$ 422,499</u></u>

As reported above, the School recorded \$1,131,789 of expenses. These expenses were funded minimally by charges for services. The majority of the School's revenues were from property taxes (68%), unrestricted state aid (20%), and grants and contributions (9%).

The School's experienced a decrease in net assets this year. Revenues increased by 4% while expenses increased at 9%. Support service expenses increased the most at 15%. This was primarily attributable to retroactive pay increases for support staff for the last three years.

Fund Financial Analysis

As of year end, the governmental funds reported a combined fund balance of \$184,042 which is \$58,051 lower than the beginning of the year \$242,093. The difference between the changes in net assets and fund balances for Whitefish Township Community Schools was \$25,713 this year. In the current year, capital outlay expenditures of \$49,595 in the statement of revenues, expenditures and changes in fund balances exceeded depreciation expense of \$23,882 in the statement of activities.

General Fund Budgetary Highlights

Final budgeted revenues were about \$6,000 higher than the original budgeted revenues for expected increases in property taxes and State dollars passed through the Intermediate School District.

Final budgeted expenditures increased about \$44,000 from the original budgeted amounts. The original budget did not include \$22,000 for the purchase of a van. The amended budget also increased significantly for building operations and maintenance to reflect increased custodial salaries and utility costs.

Final revenues were about \$18,000 higher than the final budget for building improvements paid with contributed dollars held in the Student Activities Agency Fund not being recognized as a General Fund contribution in the budget.

Final expenditures were higher than final budgeted amounts by about \$21,000. This was for primarily the same reason that final revenues were higher.

Capital Assets

At June 30, 2008 the School had \$206,119 (net of accumulated depreciation) invested in capital assets. The following table summarizes the capital asset activity for the year:

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS Year Ended June 30, 2008

	July 1, 2007	Additions	Disposals	June 30, 2008
Buildings and improvements	\$ 631,845	\$ 27,413	\$ -	\$ 659,258
Furniture and equipment	32,684	-	-	32,684
Venicies	147,564	22,182	58,827	110,919
Total capital assets	812,093	49,595	58,827	802,861
Less accum depreciation	631,687	23,882	58,827	596,742
Net capital assets	<u>\$ 180,406</u>	<u>\$ 25,713</u>	<u>\$ -</u>	<u>\$ 206,119</u>

Economic Factors

Recognition by the state legislature that all children deserve a quality, basic education and their willingness to appropriate funding to five geographically, isolated districts continues to have a huge impact on Whitefish Township Community Schools. State aid in the form of Section 22d funds allows this district to remain solvent. Additional funding through Section 22d funding will be imperative in the future as our fund balance is decreasing each year due to rising costs and the global economy.

For the 2003-04 school year, the district had to reduce the secondary staff from four teachers to three teachers. With the addition of the 22d funds, the district was able to hire back a social studies/history teacher beginning with the second semester of 2005-06, and continue to employ four highly qualified teachers for the 2006-07, 2007-08, 2008-09 school years, securing compliance with No Child Left Behind. Prior to 22d funds, there was no place else for the district to cut without further compromising education. Kindergarten through 6th grades are currently in combined classrooms; Grades K-1, 2-3, 4-5-6. We continue to work to expand curriculum offerings and proceed with ongoing curriculum alignment. Funds provided by 22d have helped to address the newly mandated merit curriculum.

The 2006-2007 school year allowed for much needed improvements to the building replacing exterior deteriorating OSB board with cement board around all of the windows, and replacing two deteriorating exterior doors. Plans for additional improvements to the 58-year-old building continued during the summer of 2007-2008, replacing the handicapped entryway with new concrete and railing, and deteriorating exterior doors.

Health insurance and retirement continue to be two of the largest expenditures. Lowering the retirement cost for the 2007-08 and 2008-09 school years will continue to be beneficial to districts.

Whitefish Township School is the hub of the community. Residents and visitors rely on the school for dissemination of information; for medical help; for activities, and local refuge in times of need. Students rely on school activities to enhance positive social development for students. We must maintain this vital component of the Paradise community

Concerns of the district continue to include the continuation of Section 22d funds, which is vital to the district's existence, and the ability to maintain quality programs with spiraling costs.

Points of pride include small class size, highly qualified staff, interactive television and MVHS long distance learning, laptop and wireless technology including computers for each child in grades 3-12 through the FTL program. Whitefish Township Community School continues to feel the revitalization of school climate, which allows for positive student achievement.

Financial Contact

The School's financial statements are designed to present users with a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Business Office, Whitefish Township Community Schools.

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Statement of Net Assets
June 30, 2008

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets	
Cash	\$ 224,730
Due from other governmental units	44,739
Inventories	<u>266</u>
Total current assets	<u>269,735</u>
Noncurrent Assets	
Capital assets	802,861
Less: accumulated depreciation	<u>596,742</u>
Total noncurrent assets	<u>206,119</u>
Total assets	<u><u>\$ 475,854</u></u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Due to other governmental units	\$ 52,085
Accrued expenses	<u>33,608</u>
Total current liabilities	<u>85,693</u>
Net Assets	
Invested in capital assets	206,119
Unrestricted	<u>184,042</u>
Total net assets	<u>390,161</u>
Total liabilities and net assets	<u><u>\$ 475,854</u></u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS

Statement of Activities

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 560,325	\$ -	\$ 51,102	\$ -	\$ (509,223)
Support services	455,746	-	7,343	17,382	(431,021)
Food services	72,672	4,334	27,338	-	(41,000)
Athletics	19,164	1,322	900	-	(16,942)
Depreciation (unallocated)	23,882	-	-	-	(23,882)
Total governmental activities	\$ 1,131,789	\$ 5,656	\$ 86,683	\$ 17,382	(1,022,068)

General revenues:

Taxes:

Property taxes, levied for general purposes
State Aid, unrestricted
Interest and investment earnings
Other

752,615
216,786
4,422
15,907

Total general revenues

989,730

Change in net assets

(32,338)

Net assets - beginning of year

422,499

Net assets - end of year

\$ 390,161

See accompanying notes to the basic financial statements.

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS

Governmental Funds

Balance Sheet

June 30, 2008

	<u>General</u>	<u>School Lunch</u>	<u>Other Nonmajor Governmental Fund - Athletics</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 206,680	\$ 16,917	\$ 1,133	\$ 224,730
Due from General Fund	-	1,666	-	1,666
Due from other governmental units	44,739	-	-	44,739
Inventory	<u>-</u>	<u>266</u>	<u>-</u>	<u>266</u>
 Total assets	 <u>\$ 251,419</u>	 <u>\$ 18,849</u>	 <u>\$ 1,133</u>	 <u>\$ 271,401</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to School Lunch fund	\$ 1,666	\$ -	\$ -	\$ 1,666
Due to other governmental units	52,085	-	-	52,085
Accrued expenditures	<u>33,608</u>	<u>-</u>	<u>-</u>	<u>33,608</u>
 Total liabilities	 <u>87,359</u>	 <u>-</u>	 <u>-</u>	 <u>87,359</u>
 Fund Balances:				
Reserved for inventories	-	266	-	266
Unreserved:				
Designated for technology	12,000	-	-	12,000
Undesignated	<u>152,060</u>	<u>18,583</u>	<u>1,133</u>	<u>171,776</u>
 Total fund balances	 <u>164,060</u>	 <u>18,849</u>	 <u>1,133</u>	 <u>184,042</u>
 Total liabilities and fund balances	 <u>\$ 251,419</u>	 <u>\$ 18,849</u>	 <u>\$ 1,133</u>	 <u>\$ 271,401</u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Governmental Funds
Reconciliation of Balance Sheet of Governmental Funds to Net Assets
June 30, 2008

Total Fund Balances - Governmental Funds	\$ 184,042
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet

Cost of capital assets	802,861
Accumulated depreciation	<u>(596,742)</u>

Total Net Assets - Governmental Activities	<u>\$ 390,161</u>
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WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2008

	General	School Lunch	Other Nonmajor Governmental Fund - Athletics	Total
Revenues:				
Local sources	\$ 783,830	\$ 4,537	\$ 2,350	\$ 790,717
State sources	220,692	4,504	-	225,196
Federal sources	60,704	22,834	-	83,538
	<u>1,065,226</u>	<u>31,875</u>	<u>2,350</u>	<u>1,099,451</u>
Expenditures:				
Current:				
Instruction	560,325	-	-	560,325
Support services	455,746	-	-	455,746
Food service	-	72,672	-	72,672
Athletics	-	-	19,164	19,164
Capital outlay	49,595	-	-	49,595
	<u>1,065,666</u>	<u>72,672</u>	<u>19,164</u>	<u>1,157,502</u>
Excess (deficiency) of revenues over expenditures	<u>(440)</u>	<u>(40,797)</u>	<u>(16,814)</u>	<u>(58,051)</u>
Other financing sources (uses):				
Operating transfers in	-	39,073	16,688	55,761
Operating transfers out	(55,761)	-	-	(55,761)
	<u>(55,761)</u>	<u>39,073</u>	<u>16,688</u>	<u>-</u>
Net change in fund balances	(56,201)	(1,724)	(126)	(58,051)
Fund balances - beginning of year	<u>220,261</u>	<u>20,573</u>	<u>1,259</u>	<u>242,093</u>
Fund balances - end of year	<u>\$ 164,060</u>	<u>\$ 18,849</u>	<u>\$ 1,133</u>	<u>\$ 184,042</u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (58,051)
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	49,595
Current year depreciation	<u>(23,882)</u>

Change in Net Assets - Governmental Activities	<u>\$ (32,338)</u>
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WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Student Activities Agency Fund</u>
Assets	
Cash	<u>\$ 47,952</u>
Liabilities	
Due to student groups	<u>\$ 47,952</u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Whitefish Township Community Schools (the "School District") operates under a Board-Superintendent form of government and provides education services to its residents. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the School District:

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 (and amended by GASBS No. 39). GASBS 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the School District and included in the School District's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The School District has no component units.

Basic Financial Statements – Overview

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. All of the School District's activities are considered governmental activities.

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. These statements are reported using the economic resources measurement focus and the full accrual basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The government-wide focus is more on operational efficiency, the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Government-Wide Statements - Continued

The government-wide Statement of Activities, due to the full accrual, economic resource basis, records revenue when it is earned and expenses when a liability is incurred, regardless of the timing of related cash flows. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted State Aid and other items not properly included among program revenues are reported as general revenue. Any net costs, by function, are allocated to the general revenue.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School District are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The emphasis in the fund financial statements is on the major funds in the governmental activities category. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds. The School District's major funds, as described below, are the General Fund and Cafeteria Fund. Non-major funds by category are summarized into a single column.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they become both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred. The exception to this general rule is principal and interest on general obligation long-term debt, if any, is recognized when due.

The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. The General Fund is a major fund of the School District.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

Governmental Funds - Continued

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds – The School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the School Lunch and Athletics Funds. The School Lunch is a major fund of the School District.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School District in a trustee or agency capacity for others and therefore are not available to support School District programs. Since these funds cannot be used to address activities or obligations of the School District, these funds are not incorporated into the government-wide statements. Fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. The following agency fund is presented in the Statement of Fiduciary Net Assets:

Student Activities Agency Fund – The School District presently maintains a Student Activities Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held by the School District for the students.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and other accounts that have the general characteristics of demand deposits.

Investments

Investments are stated at fair market value.

Inventories

Inventories are stated at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventory recorded in the School Lunch Fund consists of food and paper goods. Disbursements for inventory-type items are recorded at the time of use in the School Lunch Fund.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets, which include land, buildings, equipment and vehicles are reported in the Statement of Net Assets in the government-wide financial statements. Capital assets are defined by the School District as assets that are purchased or acquired with an original cost of \$3,000 or more and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date donated. Additions, improvements and other capital outlay that significantly extend the useful life of an asset, or increase its capacity or efficiency, are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20-50 years
Furniture and other equipment	5-15 years

Comparative Data

Comparative total data for the prior year is not included in the School District's financial statements.

NOTE 2: BUDGETING/COMPLIANCE

The School District is required under Public Act 621 to adopt a budget for the General and Special Revenue Funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for these funds. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. All annual appropriations lapse at year-end.

The presentation of budgetary information is required for the General Fund and all major Special Revenue Funds (School Lunch Fund). In the required supplemental information section, the School District's actual and budgeted expenditures for the General Fund and School Lunch are presented.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District is required under Public Act 621 to adopt a budget for the General and Special Revenue Funds. During the year, the School District incurred expenditures in the following fund which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Amount of Expenditures</u>	<u>Variance</u>
General	\$ 1,101,679	\$ 1,121,427	\$ 19,748

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3: CASH AND INVESTMENTS

Cash Deposits

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At year-end, the carrying amount of the School District's deposits for both governmental activities and fiduciary funds was \$272,682 and the bank balance was \$313,384. Of the bank balance, \$111,046 was covered by federal depository insurance. The remaining \$202,338 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the School District as of the preceding December 31.

Property taxes are recognized as revenue in the fiscal year they are levied. The Michigan School Accounting Manual requires property taxes receivable be written off in the current year if not received within 60 days of the end of the previous year. This applies to both the government-wide (full accrual) and the fund (modified accrual) financial statements. There is no significant departure from the full accrual basis of accounting using this method.

The 2006 State taxable valuation of non-homestead property as of June 17, 2008, for Whitefish Township Community Schools totaled \$41,829,679 on which taxes levied consisted of 18 mills for operating purposes. These amounts are recognized in the General Fund.

Classification of assessed property between homestead vs. non-homestead is subject to change. In addition, Michigan Tax Tribunal and Board of Review changes throughout the year affect the total taxable valuation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5: CAPITAL ASSETS

Capital asset activity for the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets being depreciated:				
Buildings and improvements	\$ 631,845	\$ 27,413	\$ -	\$ 659,258
Furniture and equipment	32,684	-	-	32,684
Vehicles	147,564	22,182	58,827	110,919
Subtotal	812,093	49,595	58,827	802,861
Accumulated depreciation:				
Buildings and improvements	480,332	15,447	-	495,779
Furniture and equipment	22,888	2,069	-	24,957
Vehicles	128,467	6,366	58,827	76,006
Subtotal	631,687	23,882	58,827	596,742
Net capital assets being depreciated	<u>\$ 180,406</u>	<u>\$ 25,713</u>	<u>\$ -</u>	<u>\$ 206,119</u>

Governmental activities depreciation expense was charged as follows:

Unallocated	<u>\$ 23,882</u>
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NOTE 6: INTERFUND TRANSFERS

Interfund transfers consist of the following:

The General Fund made transfers in the amounts of \$39,073 to the School Lunch Fund and \$16,688 to the Athletic Fund. The General Fund makes transfers on a yearly basis to support these Funds.

NOTE 7: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

Whitefish Township Community Schools contributes to the Michigan Public School Employees Retirement System (MPERS), a cost sharing, multiple employers, state wide public employee retirement plan governed by the State of Michigan and created in 1915. MPERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits to the State's public school employees. MPERS now operates under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, MI 48909-7526 or by calling (517) 322-6278.

Prior to January 1, 1990, MPERS provided a choice of two retirement plans, the Basic Plan, which required no employee contribution and the Member Investment Plan (MIP). For members hired on January 1, 1990 or after, membership in MIP is mandatory. MIP members are required to contribute 3 to 4.3 percent of their annual covered salary and Whitefish Township Community Schools is required to contribute at an actuarially determined rate.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS – CONTINUED

The current rate is 16.72% of annual covered payroll, of which approximately 6.55% is for other post employment benefits (see below). The contribution requirements of plan members and Whitefish Township Community Schools are established and may be amended by the MPSERS Board.

The School District's contribution to MPSERS for the years ending June 30, 2008, 2007 and 2006 were \$93,749, \$89,817 and \$80,852 respectively, equal to the required contributions for each year.

Other post employment benefits:

Also under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage which are funded on a cash disbursement basis. Retirees having these coverages contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for health, dental and vision coverages.

The number of plan participants and other relevant financial information consisted of the following at September 30, 2007, the date of the latest actuarial valuation.

Eligible retired participants	162,844
Participants receiving benefits:	
Health	121,804
Dental/Vision	129,771
Expenses for the year	\$653,572,464
Payroll contribution rate	6.55%

NOTE 8: RESERVES AND DESIGNATIONS OF FUND BALANCES

Major Governmental Funds

General Fund - The General Fund designated fund balance includes amounts for technology expenditures.

School Lunch Fund – The School Lunch Fund reserved fund balance includes amounts for inventories.

NOTE 9: RISK MANAGEMENT

The School District carries commercial insurance for risks of loss, including property and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District also belongs to the SEG Self-Insured Workers' Disability Compensation Fund, a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for various school districts throughout the state. The School District pays an annual premium for its workers' compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event. Although the School District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10: SUBSEQUENT EVENT

The voters approved a \$70,000 bonding proposal for the purpose of acquiring a school bus. The estimated millage of 1.25 mils will be levied for the 2008 tax year to retire this debt.

REQUIRED SUPPLEMENTAL INFORMATION

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues:				
Local sources	\$ 760,692	\$ 765,682	\$ 783,830	\$ 18,148
State sources	219,472	221,417	220,692	(725)
Federal sources	61,470	60,183	60,704	521
	<u>1,041,634</u>	<u>1,047,282</u>	<u>1,065,226</u>	<u>17,944</u>
Total revenues				
Expenditures:				
Instruction:				
Basic programs	457,804	474,073	477,925	3,852
Added needs	83,032	83,300	82,400	(900)
Support services:				
Pupil	28,452	24,810	24,799	(11)
Instructional staff	6,973	5,923	5,909	(14)
General administration	187,988	191,913	192,802	889
School administration	13,813	16,008	16,006	(2)
Business services	8,983	10,430	10,984	554
Operation and maintenance	122,329	142,124	159,456	17,332
Pupil transportation services	69,875	86,586	86,422	(164)
Other support services	20,648	8,965	8,963	(2)
	<u>999,897</u>	<u>1,044,132</u>	<u>1,065,666</u>	<u>21,534</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>41,737</u>	<u>3,150</u>	<u>(440)</u>	<u>(3,590)</u>
Other financing sources (uses):				
Operating transfers in	2,000	2,000	-	(2,000)
Operating transfers out	(53,737)	(57,547)	(55,761)	1,786
	<u>(51,737)</u>	<u>(55,547)</u>	<u>(55,761)</u>	<u>(214)</u>
Total other financing sources (uses)				
Net change in fund balance	(10,000)	(52,397)	(56,201)	(3,804)
Fund balance - beginning of year	<u>218,654</u>	<u>220,261</u>	<u>220,261</u>	<u>-</u>
Fund balance - end of year	<u>\$ 208,654</u>	<u>\$ 167,864</u>	<u>\$ 164,060</u>	<u>\$ (3,804)</u>

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Required Supplementary Information
Budgetary Comparison Schedule
School Lunch Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues:				
Local sources	\$ 4,210	\$ 4,310	\$ 4,537	\$ 227
State sources	3,000	2,482	4,504	2,022
Federal sources	23,000	23,000	22,834	(166)
	<u>30,210</u>	<u>29,792</u>	<u>31,875</u>	<u>2,083</u>
Expenditures:				
Current:				
Food service	69,841	74,224	72,672	(1,552)
	<u>69,841</u>	<u>74,224</u>	<u>72,672</u>	<u>(1,552)</u>
Excess (deficiency) of revenues over expenditures	(39,631)	(44,432)	(40,797)	3,635
Other financing sources (uses):				
Operating transfers in	39,631	40,857	39,073	(1,784)
	<u>39,631</u>	<u>40,857</u>	<u>39,073</u>	<u>(1,784)</u>
Net change in fund balance	-	(3,575)	(1,724)	1,851
Fund balance - beginning of year	21,024	20,573	20,573	-
	<u>21,024</u>	<u>20,573</u>	<u>20,573</u>	<u>-</u>
Fund balance - end of year	\$ 21,024	\$ 16,998	\$ 18,849	\$ 1,851
	<u>\$ 21,024</u>	<u>\$ 16,998</u>	<u>\$ 18,849</u>	<u>\$ 1,851</u>

OTHER SUPPLEMENTAL INFORMATION

WHITEFISH TOWNSHIP COMMUNITY SCHOOLS
Other Supplemental Information
Statement of Receipts and Disbursements
Fiduciary Fund
Year Ended June 30, 2008

	Balance July 1, 2007	2007-2008		Balance June 30, 2008
		Receipts	Disbursements	
Class of 2008	\$ 2,259	\$ 24,718	\$ 26,656	\$ 321
Class of 2009	-	3,243	3,034	209
Special projects	7,065	6,414	13,479	-
Kitchen	502	-	1	501
Youth booster club	13,264	243	9,328	4,179
Student council	287	552	688	151
Interest	12,233	1,140	4,218	9,155
Yearbook	-	438	-	438
Miscellaneous	97	-	87	10
Playground	494	-	-	494
Target	-	210	185	25
Veierans' Day fund	166	500	-	666
Sherrie used computers	7	-	-	7
Box tops	60	256	216	100
Rachel Mills fund	2,687	126	300	2,513
Professional development	5	-	-	5
Mr. Earles	210	-	210	-
Ski trip grant	101	-	-	101
Middle School	776	911	1,500	187
ESPN/Athletics	-	18,565	-	18,565
Athletic boosters	7,426	13,679	11,822	9,283
21st Century grant	880	-	-	880
Wellness challenge	43	-	-	43
Science	104	260	245	119
	<u>\$ 48,666</u>	<u>\$ 71,255</u>	<u>\$ 71,969</u>	<u>\$ 47,952</u>
Total	<u>\$ 48,666</u>	<u>\$ 71,255</u>	<u>\$ 71,969</u>	<u>\$ 47,952</u>

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



September 25, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Superintendent and Board of Education
Whitefish Township Community Schools
Paradise, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Whitefish Township Community Schools (the "School District") as of and for the year-ended June 30, 2008, which collectively comprise Whitefish Township Community Schools' basic financial statements and have issued our report thereon dated September 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitefish Township Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion of the Whitefish Township Community School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Whitefish Township Community School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The School District does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to newly issued auditing standards this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control.

We did note the School District's management does possess the skill necessary to prepare and monitor the annual budget. The accounting system which is designed primarily for budgetary purposes and State of Michigan FID reporting is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitefish Township Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Hill, Schroeder & Co.".

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

NO MANAGEMENT LETTER WAS ISSUED TO THE WHITEFISH TOWNSHIP COMMUNITY SCHOOLS FOR THE YEAR ENDED JUNE 30, 2008.

NO DATA COLLECTION FORM IS REQUIRED TO BE ISSUED TO THE WHITEFISH TOWNSHIP
COMMUNITY SCHOOLS FOR THE YEAR ENDED JUNE 30, 2008.